

**5. Ad Valorem Taxes**

Ad valorem taxes are levied on the value of plant and are determined by assessment, i.e., local property taxes levied against telephone plant.

- a. For telecommunications services, the ad valorem tax factor is applied against investment.
- b. This factor shall be developed on a forward-looking basis.

**6. Central Office Power**

- a. Central office power equipment is generally fixed in configuration.
- b. Annual costs do not include this element unless it is determined that a service causes the LEC to increase its investment in power equipment.

**7. Land and Buildings**

- a. Land and building costs are generally insensitive to the number of services offered
- b. Annual costs shall not include this element unless it is determined that a service causes the LEC to increase land and building investment

**8. Other Recurring and Nonrecurring Product Expenses**

Other direct recurring costs such as marketing, advertising, and sales expenses, and nonrecurring product costs such as the initial programming of the billing system, shall be included in the LRSIC. Labor and material resource costs incurred in connection with these activities shall be developed as specified.

**I. Allocations and Separations**

LRSIC studies shall reflect relevant allocations of regulated and non-regulated costs, and relevant interstate and intrastate separations, as determined by the FCC or the Commission.

## **H. Annual Costs**

### **1. Depreciation**

Depreciation is the periodic recognition of investment cost. Forward-looking lives should be used to determine depreciation expense.

### **2. Cost of Money**

The cost of money associated with an investment is the weighted average of the LEC's cost of debt and equity applied to the net investment on a forward-looking basis over the TAP.

### **3. Federal, State, and Local Income Taxes**

- a. Federal, state, and local income tax expenses shall be determined based on the price floor.
- b. Since federal, state, and local taxes are applicable, recognition is given to the "tax-on-tax" situation that results from the deductibility of state and local tax when federal taxes are paid.

### **4. Maintenance**

Maintenance costs are incurred in order to keep equipment resources in usable condition.

- a. Included in this classification are: direct supervision; engineering associated with maintenance work; labor and material costs incurred in the up keep of plant; rearrangements and changes of plant; training of maintenance forces; testing of equipment and facilities; tool expenses; and miscellaneous expenses.
- b. The specific maintenance cost estimates associated with the service in question or investment-related annual maintenance factors may be applied to arrive at an annual maintenance cost.
- c. The factor shall be specific to the investment and expense accounts associated with the service and be developed from the most current data reasonably available to the LEC.

- b. Other components of material investment shall include inventory, supply expenses, and sales taxes.
- c. The sales tax component of investment shall be calculated by applying a sales tax factor if applicable. The factor shall reflect taxes imposed by state and local taxing bodies on material purchases. It shall be applied to the material and inventory components.
- d. The supply component shall include the expense incurred by the LEC for storage, inventory, and delivery of material.

## **2. Labor Investment**

There are two major components of labor investment, vendor-related and LEC-related.

- a. Vendor labor-related investment shall include billed installation and engineering.
- b. The LEC's labor-related investment may be developed based on account averages or from estimates of product-specific plant engineering and installation hours.
- c. Total labor costs shall be computed by multiplying the account average or product specific work times the appropriate labor rate.
- d. Hourly labor rates include the operational wages, benefits, paid absence, and, if applicable, tools and miscellaneous expenses.

## **3. Utilization Factors**

- a. The investment developed above shall be adjusted to reflect usable capacity by dividing the investment by a utilization factor.
- b. The utilization factor shall be the objective or design fill which shall be derived as the maximum capacity of the capital resource, less any capacity required for maintenance, testing, and administrative purposes.

**C. Tariff Application Period (TAP)**

1. The TAP shall be the length of run for a cost study, and shall reflect the economic life of the offering. The TAP shall take into consideration forecasted changes in technology and customer demands. The burden of proof that a deployed technology has been rendered obsolete or non-economic by the introduction of new technology shall be on the LEC submitting a LRSIC study.

**D. Demand Forecast**

1. The LEC shall provide the demand forecast used in the LRSIC computations and documentation establishing the basis for the demand forecast.
2. The forecast shall reflect total demand for the service, averaged over the length of run of the cost study, incorporating the time value of money in the average.

**E. Technology**

LRSIC studies shall reflect forward-looking technology. That is, the cost study examines only current and future technologies whose costs can be reasonably estimated by the LEC.

**F. Inflation**

1. LRSIC studies shall reflect costs that are expected to be incurred during the TAP.
2. Such costs shall be projected to their anticipated level over the TAP by using an appropriate index of future cost, such as supplier estimates of price changes, indices developed from labor contracts, or other relevant indices.

**G. Investment Development**

**1. Material Investment**

- a. The development of the material component of investment shall begin with the current vendor price(s) for the hardware and software resources required to provide the service, projected over the TAP as described above.

4. LRSIC includes both service-specific fixed costs and service-specific volume sensitive costs.

## **B. General Procedures**

### **1. New or existing products**

The LRSIC is equal to the cost of increasing the volume of production from zero to a specified level while holding all other product and service volumes constant.

- a. The LRSIC is long run in that it includes the cost of producing a product or service using the best combination of inputs.
- b. The LRSIC of a product or service is the sum of all its volume-sensitive costs and its service-specific fixed costs.
- c. The average unit cost is the service-specific volume sensitive cost plus the service-specific direct fixed cost divided by the quantity of service produced.
  - i. The volume-sensitive and service-specific fixed costs can be investment or expense-related.
  - ii. If investment-related, an annual cost shall be computed.
  - iii. Both volume-sensitive and service-specific fixed costs can have recurring and nonrecurring components.

### **2. Service Description**

- a. The service for which the cost study is developed shall be clearly defined in terms of technical characteristics, functionality, application, and availability (e.g., digital centrex lines with Call Waiting, Call Forwarding, and Call Hold).
- b. The components of the service shall then be clearly identified and described in terms of cost elements such as switch memory, line cards, and copper pairs.

**ATTACHMENT A. APPENDIX A**

**A. Long Run Service Incremental Cost (LRSIC)**

The purpose of these guidelines shall be to assist the staff in performing a review of service cost studies filed by LECs which provide non-competitive and/or competitive services. Such LECs shall provide LRSIC studies in support of their proposed prices as required by these guidelines. These guidelines set forth parameters for such studies. Although LECs may adopt reasonable parameters for use in their studies other than those set forth herein, any deviation from these parameters must be set forth in a statement accompanying the service cost study and is subject to Commission approval. In contested cases, the presumption of reasonableness established by these guidelines may be overcome by substantial evidence that any specific parameter or parameters are not appropriate in light of the particular circumstances of the product or service which is the subject of the rate filing.

1. LRSIC shall be the appropriate costing methodology to be used in the establishment of price floors. The LRSIC study shall be used to demonstrate that each price associated with the service being studied is at least as large as its LRSIC. The Commission's use of LRSIC and an allocation of joint and common costs as a pricing tool to establish floor prices does not ipso facto create a claim for recovery by the LEC of any amounts uncollected by the LEC that otherwise would cover its fully embedded cost. The LEC is potentially at risk for the non-recovery of its embedded costs of providing a particular service as a result of pricing services at LRSIC or LRSIC plus a percentage of common overhead. The merits of the LEC's recovery of the difference between LRSIC prices and fully embedded costs from other monopoly services will be carefully scrutinized in any proceeding to increase basic local exchange rates pursuant to Sections 4909.18 and/or 4927.04, Revised Code.
2. LRSIC of a service or group of services shall include any costs of the business that would be avoided if the entire output of the service or group of services were not produced. LRSIC is also defined as the cost incurred to produce the entire output of the service and includes the cost of all additional resources necessary to produce the service.
3. A LRSIC study shall show that, whenever the study includes a service sharing joint costs with other services, there is an appropriate specific allocation of these joint costs.

effective, competitive marketplace or as required by public interest considerations.

3. No later than three years after the adoption of these guidelines, the Commission shall review, on an ILEC-specific or industry-wide basis, the continuing appropriateness of the guidelines adopted herein in view of the number and size of alternative providers of local exchange services in the respective ILEC's service area, the extent to which services are available from alternative providers in the relevant market, the ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms, and conditions, and other indicators of market power, e.g., market share, growth of market share, ease of entry, and the affiliation of providers of services. The procedures to be followed in implementing any company-specific changes resulting from such review shall be determined with respect to the applicable form of regulation under which the company is operating at the time.
4. Should an ILEC desire to be relieved of certain duties and responsibilities established by these guidelines prior to the Commission's review pursuant to Section XIX.B.3., it may request such relief in an alternative regulation proceeding pursuant to Section 4927.04, Revised Code, or in a proceeding filed pursuant to Section 4927.03, Revised Code.

#### **C Resolution of Disputes Among Carriers**

Under its authority pursuant to Section 4905.26, Revised Code, the Commission will consider carrier-to-carrier complaints. The Commission will issue a procedural entry in a case within 60 days of the filing of the complaint, and will endeavor to conclude the case within 180 days.

h. The address and telephone number of the Commission's Consumer Services Department for consumer complaints.

3. The verification procedures described above are not intended to substitute for written authorization from subscribers as evidence in a LEC change dispute. LECs must obtain LOAs for use in resolving disputes regarding all changes in subscriber service. Any LEC that violates the verification procedures described above and collects charges for the provision of local service from a subscriber shall rerate the subscriber's calls and be liable to the LEC previously selected by the subscriber in an amount equal to all charges paid by such subscriber after such violation. Additionally, the subscriber may file a complaint under Section 4905.26, Revised Code, and the Commission may seek additional penalties and remedies against the offending LEC under Sections 4905.54 and 4905.57, Revised Code, and any other applicable statute.

**D. End User Complaints**

An end user may contact the Commission's Consumer Services Department to lodge an informal complaint against a LEC. A formal complaint filed by an end user against a LEC will be considered by the Commission pursuant to Section 4905.26, Revised Code.

**XIX. REGULATORY OVERSIGHT**

**A. Principle**

The Commission has an obligation to ensure that the regulatory framework for competing LEC is and remains consistent with the policy of the state as set forth in Section 4927.02, Revised Code.

**B. Monitoring of Competitive Market for Local Exchange Services**

1. The Commission shall monitor the implementation of the regulatory requirements prescribed to effectuate competition in the provision of local exchange services, as well as the impact of such requirements upon the local services market and the customers.
2. The Commission reserves the right to impose alternative requirements upon LECs in the event it determines modifications to the adopted guidelines are necessary or advisable to ensure an

above to confirm the authorization. LECs electing to confirm changes electronically shall establish one or more toll-free telephone numbers exclusively for that purpose. Calls to the number(s) will connect a subscriber to a voice response unit, or similar mechanism, that records the required information (including questions and responses) regarding the change of providers, including automatically recording the originating Automatic Number Identification (ANI); or

- c. A subscriber's LEC may be changed by way of an appropriately qualified and independent third party operating in a location physically separate from the telemarketing representative obtaining the subscriber's oral authorization to submit the change order that confirms and includes appropriate verification data (e.g., the subscriber's date of birth or social security number).
2. Requests for a change of LEC may take place immediately upon request. However, within three business days of the subscriber's request for a change of LEC, the new LEC utilizing enrollment options in Section XVIII.C.1.b. or c. above must send each new subscriber an information package by first class mail containing at least the following information concerning the requested change:
    - a. The information is being sent to confirm a telemarketing order placed by the subscriber within the previous week;
    - b. The name of the subscriber's current LEC;
    - c. The name of the new LEC;
    - d. A description of any terms, conditions, and/or charges that will be incurred;
    - e. The name of the person ordering the change;
    - f. The name, address, and telephone number of both the subscriber and the soliciting LEC;
    - g. An LOA and postpaid envelope (the LOA should contain the information outlined in Section XVIII.C.1.a. above and should be returned to the soliciting LEC to be kept on file to confirm the subscriber's selection); and

any kind. The LOA may be combined with checks that contain only the required LOA language described below and the necessary information to make the check a negotiable instrument. The LOA check shall not contain any promotional language or material. The LOA check shall contain, in easily readable, bold face type on the front of the check, a notice that the consumer is authorizing a primary LEC change by signing the check. The LOA language shall also be placed near the signature line on the back of the check.

- iii. At a minimum, the LOA must be printed with a type of sufficient readable size and type to be clearly legible and must contain clear and unambiguous language that confirms:
    - a. The subscriber's billing name and address and each telephone number to be covered by the LEC change order;
    - b. The decision to change the LEC from the current LEC to the prospective LEC;
    - c. That the subscriber designates the LEC to act as the subscriber's agent for the LEC change;
    - d. That the subscriber understands that only one carrier may be designated as the primary LEC for any one telephone number. Any carrier designated as the primary LEC must be the carrier directly setting the rates for the subscriber; and
    - e. That the subscriber understands that any change in LECs may involve a charge for such change.
  - iv. LOAs shall not suggest or require that a subscriber take some action in order to retain the subscriber's current LEC.
- b. A subscriber's LEC may be changed once the new LEC has obtained the subscriber's electronic authorization, placed from the telephone number(s) for which the service is to be changed, that confirms the information described in Section XVIII.C.1.a.

10. The Commission's Consumer Services Department shall oversee LEC marketing practices by:
  - a. Monitoring complaints received by the Public Interest Center regarding LEC marketing activities;
  - b. Reviewing sales scripts and marketing manuals utilized by LEC sales and customer service personnel when deemed necessary to monitor marketing practices;
  - c. Reviewing LEC advertising and promotional literature when deemed necessary to monitor marketing practices;
  - d. Monitoring live telephone sales presentations by customer service representatives when deemed necessary to monitor marketing practices;
  - e. Recommending needed procedure modifications; and
  - f. Providing regular updates to the Commission regarding the Consumer Services Department's findings.

**C. Local Service Carrier Subscription/Slamming**

1. No subscriber's LEC may be changed unless and until the change has first been confirmed in accordance with one of the following procedures:
  - a. A subscriber's LEC may be changed when the LEC has obtained the subscriber's written authorization on a letter of agency (LOA) that explains what occurs when a subscriber's LEC is changed.
    - i. The LOA shall be a separate document and its sole purpose is to authorize a LEC to initiate a primary LEC change. If the subscriber will incur a charge as a result of changing LECs, the LOA must contain a notification to the subscriber that a charge will be assessed to him/her as a result of the charge. The LOA must be signed and dated by the subscriber to the telephone line(s) requesting the carrier change.
    - ii. The LOA shall not be combined or utilized in conjunction with promotions (e.g., sweepstakes) of

5. All LECs are prohibited from the practice of advertising or offering goods or services as "free" when in fact the cost of the "free" offer is passed on to the consumer by raising the tariffed price of the goods or services that must be purchased in connection with the "free" offer.
6. Subscriber enrollment shall only occur upon the customer affirmatively selecting (positive enrollment) the pertinent service(s). Negative enrollment by the LECs shall not be permitted unless otherwise ordered by the Commission.
7. It shall be the duty of the LEC to preserve the privacy of customer proprietary information and transactions to acquire local exchange service and protect such information and transactions from commercial abuse.

In addition to the guidelines on CPNI set forth in Section XI.C. of these guidelines, a LEC or any LEC affiliate shall not, without the prior affirmative, written consent of the customer, provide to any telecommunications equipment manufacturer or telecommunications provider CPNI for use with or in connection with the manufacturing of telecommunications equipment or the provision of local exchange, interLATA, information, enhanced, or video services that are disseminated by means of such LEC's or any of its affiliates' facilities.

8. All LECs shall comply with all existing and future Commission orders relating to customer notice/education requirements (e.g., inside wire). Failure to comply with such requirements violates the MTSS, Rule 4901:1-5-23 (A), Ohio Administrative Code, which requires that "each local exchange company shall provide the information and assistance necessary to enable an applicant or subscriber to obtain the most economical local exchange company-provided services conforming to his or her stated needs." Further, the Commission may seek appropriate remedies under Sections 4905.54 and 4905.57, Revised Code.
9. If, upon complaint of a customer or upon its own motion, the Commission finds that the practices of any LEC with respect to the marketing of its services or products are unjust or unreasonable, the Commission may require the practices of such LEC to be discontinued and/or may prescribe the practices to be observed by such LEC in its marketing of regulated services.

2. If services are bundled, an identification and explanation of individual service components and associated prices;
3. An identification and explanation of any one-time, non-recurring charge(s);
4. An identification and explanation of recurring charge(s) (i.e., usage, access, etc.); and
5. An identification of any special attributes of this service.

The Commission may require, review, or request modification of customer notices, billing information, or other customer education materials. Copies of all informational and educational materials for residential services shall be provided to OCC at the same time such materials are provided to the Commission.

**B. Marketing Practices**

1. No LEC shall commit an unfair, deceptive, or unconscionable act or practice in connection with a consumer transaction. Such an unfair, deceptive, or unconscionable act or practice by a LEC violates these guidelines whether it occurs before, during, or after the transaction.
2. Engaging in any of these unfair, deceptive, or unconscionable acts or practices constitutes unjust, unreasonable, and inadequate service under Section 4905.26, Revised Code.
3. No LEC shall make any offer for services in written or printed advertising or promotional literature without stating clearly and conspicuously in close proximity to the words stating the offer any material exclusions, reservations, limitations, modifications, or conditions. Disclosure shall be easily legible to anyone reading the advertising or promotional literature and shall be sufficiently specific so as to leave no reasonable probability that the terms of the offer might be misunderstood.
4. Offers made through radio or television advertising must be preceded or immediately followed by a conspicuously clear and oral statement of any specific exclusions, reservations, limitations, modifications, or conditions.

### **G. Service Quality Compatibility**

Each LEC is individually responsible for the quality of service it provides. Where requested, however, and to the extent technically feasible, LECs may implement joint network management controls to further overall service integrity. Where such monitoring is not technically feasible on the part of the NEC, the ILEC, if technically feasible, will perform these functions on the NEC's behalf, subject to time and materials charges, as mutually agreed upon.

### **H. Federal Requirements**

Each LEC is solely responsible for participation in and compliance with any federally mandated technical standard requirements.

### **I. Support Functions**

LECs are not responsible for providing services to each other's end users; however, where one LEC's limitation or lack of facilities dictates, the competing parties must establish arrangements to ensure that support functions (e.g., 9-1-1, operator services, directory assistance, telecommunications relay service, etc.) are available to the customers of both LECs.

## **XVIII. CONSUMER SAFEGUARDS**

### **A. Customer Education**

LECs are responsible for providing their customers with informational, promotional, and educational materials explaining the carrier services, rates, and customers' options. Such materials must also be submitted to the Commission's Consumer Services Department and OCC. These materials include, but are not limited to, the notices required by Section VI. of these guidelines. In those situations where a notice requirement has been or will be placed on LECs by the Commission, such notice requirement takes precedence over this section. These materials shall be written in such a way that allow customers to make comparisons between comparable services. Such information should include basic information such as:

1. An explanation of the nature of the service, its application, and any restrictions or limitations;

**B. Costs of Network Modifications**

To the extent a LEC's technical requirements involve any addition to or modification of existing standard interconnection arrangements, the costs of such additions and/or modifications to be compatible with such a non-standard interface shall be negotiated between the interconnecting parties. In the event of a dispute between such parties, the Commission will establish whatever process it deems appropriate to resolve the dispute.

**C. Facilities**

Each LEC is individually responsible to provide those network functionalities within its service territory that are necessary for routing, transporting, and billing traffic to and from other certified LEC's networks.

**D. Minimum Compliance**

Upon interconnection with another's network, LECs must, at a minimum, comport with current Commission MTSS requirements, as well as any existing state and industry technical standards necessary to facilitate the seamless and transparent transmission of a call between companies.

**E. Availability of Technical Standards**

A LEC must make available to other LECs technical interfaces that are at least equal in quality to that which it provides itself, or any subsidiary or affiliate. Furthermore, any technical interfaces provided to an interconnecting LEC must also be made available under the same terms and conditions to other LECs making substantially similar requests.

**F. Notice of Changes in Technical Requirements**

If a LEC intends to alter its technical requirements in a manner that will affect its existing interconnection arrangements in any way, the LEC must provide notice of its intentions to all interconnecting parties, the Commission, and all other interested parties. Such notice must be served by the LEC no less than six months prior to implementation of the respective technical changes, and must include at a minimum: (1) the date the changes are to occur; (2) the location(s) at which the changes are to occur; and (3) a description of the changes, in sufficient detail to enable the affected interconnecting parties to adequately respond.

**B. Provisioning**

LECs may purchase the provisioning of published directories and directory assistance from other providers. Regardless of whether the ILEC provides published directories and directory assistance itself or purchases such provisioning from another entity, the LEC will be considered the provider of the directory and directory assistance as it pertains to adherence to the MTSS.

**C. Competitive Listings**

Upon bona fide request of one LEC to another, LECs shall provide a standard published directory and directory assistance listing of their competitors' customers within the geographic region served by the directory provider's current directory. Prices for such services shall be set at a level that allows the LEC to recover the LRSIC of providing such services and a reasonable contribution to the joint and common costs incurred by the LEC. The allocation of the joint costs shall be in accordance with the allocation method described in Section V.B.3. of these guidelines.

**D. Updates to Listings**

1. All requests for printed listings of competitor's customers will be implemented at the next regularly scheduled update of the directory provider's printed directory (as detailed by the MTSS).
2. All requests for directory assistance listings and updates of competitor's customers will be implemented as requests are received in a manner and time commensurate with the directory provider's treatment of its own new subscribers and as required under the MTSS.

**XVII. INTERCONNECTION TECHNICAL STANDARDS**

**A. Disclosure Requirements**

Where one LEC seeks interconnection to another's network, both parties shall be required to disclose to each other any and all technical requirements necessary to ensure compatibility between networks and integrity of service in their respective service areas.

### **3. Miscellaneous Requirements**

- a. The Ohio number portability solution shall efficiently use telephone numbers and must not accelerate the depletion of numbering resources.
- b. The Ohio number portability solution shall support any nationwide number portability development and deployment. However, Ohio shall reserve the right to implement its solution even if no national effort succeeds.
- c. The Ohio number portability solution should be of an open network architecture, free of licensing fees.
- d. The Ohio number portability solution must be expandable to location portability capability.

## **XV. NUMBERING ASSIGNMENT AND ADMINISTRATION**

There shall be no state-specific requirement at this time for Ameritech Ohio and Cincinnati Bell Telephone Company to transfer their respective number assignment and administration responsibilities to a third party.

## **XVI. DIRECTORY LISTINGS**

### **A. Requirements of Minimum Telephone Service Standards**

LECs shall be required to adhere to the Minimum Telephone Service Standards (MTSS) regarding the provisioning of directories and directory assistance.

1. A LEC shall provide each of its subscribers, free of charge, a single, comprehensive, printed directory for all telephone numbers within the LEC's local calling area (As detailed by the MTSS).
2. A LEC shall provide each of its subscribers, free of charge, with a directory assistance listing and intercept service for all telephone numbers within the LEC's local calling area (As detailed by the MTSS).

below, and a time frame and manner to be established by the Commission in response to a open state-wide workshop.

3. The Commission shall schedule a state-wide LRN number portability workshop within 120 days of the issuance of these guidelines. The workshop will seek to establish the time frame and manner of the implementation of LRN number portability in the state of Ohio.

#### **D. Ohio Number Portability Guidelines**

##### **1. Impact on End Users**

- a. Call redirection must be transparent to end users.
- b. Portability must be available to all wireline customers within the LEC's serving area.
- c. Dialing party must have an indication of a call's toll status.
- d. There shall be no loss of functionality, quality of service, or access to services. Access to 9-1-1, E-9-1-1, information, and other services shall remain available.

##### **2. Impact on Local Service Provider**

- a. The Ohio number portability solution must be compatible with Intelligent Network (IN) and Advanced Intelligent Network (AIN) software, must support essential services, and must allow for tandem interconnection.
- b. Current transmission quality, call set-up/delay, reliability, and other applicable standards must continue to be met.
- c. The Ohio number portability solution must not require transport over another LEC's network for call completion.
- d. Non-number portability capable networks must be able to interconnect.
- e. Any operator must be able to perform a busy line verification of a ported number line, and must be able to handle collect calls, third-party billing, and Call Trace.

**1. Service Number Portability**

Service number portability is the ability of end users to retain the same telephone number as they change from one type of service to another (e.g., POTS to ISDN).

**2. Location Number Portability**

Location number portability is the ability of end users to retain the same telephone number as they move from one NXX location to another.

**3. Service Provider Number Portability**

Service provider number portability is the ability of end users to retain the same telephone number as they change from one LEC to another, without changing service locations.

**4. True Service Provider Number Portability**

True service provider number portability is the ability of end users to retain the same telephone number when they change LECs, without reliance on calls to that telephone number being routed through the LEC's end office where the original NXX code is assigned.

**5. Location Routing Number**

Location Routing Number (LRN) refers to an industry-developed call model to support true service provider number portability. LRN is a database system which does not rely on an absolute need to transport ported calls through the ILEC's network. Unlike RCF and DID, LRN should allow for enhanced calling services which rely on number identification (e.g., Caller ID, Call Trace, and blocking).

**C Commission Requirements**

1. A facilities-based LEC not offering LRN true service provider number portability shall provide interim service provider number portability on an RCF or DID basis.
2. All facilities-based LECs shall provide LRN true service provider number portability in accordance with the guidelines established

- g. RLECS and rural carriers are eligible for HCS funding according to the above methodology only if such carriers return on equity does not exceed 12% and they are not exempt under Section II.A.2.b. and d. of these guidelines.

## **2. Low-Income Support Withdrawal**

The calculation of the low-income subsidy will be the amount accrued by any LEC for discounting or waiving rates for services delineated under the low-income support program. The calculation of the amount of subsidy required for touch tone service, will be based on the actual incremental cost of providing that service. The calculation will be based only on program costs that are not recoverable through any other available subsidies or tax credits.

## **F. Universal Service Fund Administration**

1. The USF shall be managed by a neutral, third-party administrator, which will be selected by the Commission through a request for proposal (RFP) process and will be subject to the Commission's oversight.
2. The ongoing necessity of an intrastate USF will be reviewed periodically by the Commission and the fund administrator.

# **XIV. NUMBER PORTABILITY**

## **A. Principle**

End users should have the ability to retain the same telephone number as they change from one service provider to another as long as they remain in the same location, or, if moving, retain the same NXX code.

## **B. Definitions**

Number portability refers to the ability of end users to retain their telephone numbers when they change their service, service provider, and/or their location.

model. The CBG costs will be aggregated to the HCS study area level by taking an average of CBG costs within that area weighted by the number of households in each of those CBGs. This weighted average cost will be the per household benchmark cost within the HCS study area. The benchmark costs will include an allowance for common costs.

- c. Any ILEC or facilities-based NEC may petition the Commission to adopt alternative benchmark costs based on company-specific analysis. The petitioning LEC will have the burden of proof in demonstrating that its alternative proposed benchmark costs more accurately reflect its true LRSIC costs within a given HCS study area.
- d. In each HCS study area, the ILEC will receive funding equal to the difference between total intrastate residential revenues and total benchmark costs in that study area. Total intrastate residential revenues include all revenues from intrastate retail residential services (including vertical services and any yellow pages revenues received from an affiliate), as well as wholesale payments by resellers for resale of residential services in that study area. Total benchmark costs are the calculated benchmark cost per household times the total number of households in the study area, less any avoided costs calculated according to Section V.E. of these guidelines.
- e. A facilities-based NEC serving a HCS study area will receive HCS funding equal to the difference between total residential revenues and total benchmark costs in that study area. Total residential revenues include all revenues from regulated services, as well as wholesale payments by resellers in that study area. Total benchmark costs are the calculated benchmark cost per household times the total number of households being served in that study area.
- f. Disbursements from the fund will be calculated based on 12 months of historical information on the number of households served, benchmark costs, and total residential revenues within each HCS fund eligible area. The amount of subsidy received may also be adjusted to account for any subsidies received from other federal or state programs, including any federal universal service fund that may be adopted by the FCC.

- f. Discounted rates for call control features, i.e., toll restriction and blocking for 900 and 976 calls; and
- g. A waiver of the charges for 9-1-1 and E-9-1-1.

The Commission may periodically re-evaluate and modify the package of services in this paragraph.

- 3. To encourage LECs to actively promote the package of low-income support programs described in Section XIII.A.4., such carriers will receive a partial offset against their contribution to the USF for each \$1.00 of subsidy received from the USF for provision of these low-income programs. The Commission will determine the appropriate amount of offset by June 12, 1998.
- 4. The Commission may consider prior commitments made by LECs in alternative regulation proceedings in determining the extent of eligibility for USF funding under Section XIII.D.2. and D.3. of these guidelines.

#### **E. Support Withdrawal Criteria**

##### **1. High Cost Support Withdrawal**

Until such time as the Commission establishes a carrier of last resort via a bidding process or other mechanism, any facilities-based LEC is eligible for HCS funding according to the following methodology:

- a. The calculation of the HCS subsidy will be done on the basis of existing ILEC wire center boundaries and will be designated a HCS study area.

Any ILEC or facilities-based NEC may petition the Commission to adopt an alternative HCS study area based on the specific characteristics of its service territory or its specific business operating practices. The petitioning LEC will have the burden of proof in demonstrating that its alternative proposed HCS study area boundaries will permit a more efficient comparison of benchmark costs and revenues.

- b. The benchmark costs will be calculated using the Census Block Group (CBG) benchmark costs from the "Benchmark Cost Model" as filed with the FCC in CC Docket No. 80-286. The Commission may also adopt any subsequent revisions to this

process or other mechanism. During that interim period, any certified, facilities-based, LEC serving residential customers within a HCS eligible area may withdraw from the fund an amount no greater than the maximum subsidy established according to the methodology in Section E.1. below.

2. No sooner than one year after the enactment of these guidelines, the Commission will evaluate whether to implement a bidding process or some other mechanism for the carrier of last resort obligation as a requirement for ongoing eligibility for high cost support funding.
3. Any carrier accepting HCS monies must offer the services supported by universal service support and must advertise the availability of such services.

**D. Low-Income Support Program**

1. Effective immediately, all certified LECs shall participate in the Telephone Service Assistance and Service Connection Assistance Programs. Notwithstanding legislation that would establish otherwise, all LECs shall continue to provide the benefits of the TSA and SCA programs with dollar for dollar recovery from the universal service fund according to the methodology in Section E, below.
2. As of January 1, 1998, and LEC offering the following package of low income assistance to income eligible residential customers as defined in Section A, paragraph 4, will be eligible for any incentives established in paragraph 3 below in addition to dollar for dollar recovery from the universal service fund according to the methodology in Section E, below.
  - a. A waiver of deposits required to obtain new service;
  - b. A waiver of the service connection charge for establishing local service, if it is more than \$5.00;
  - c. A monthly discount off of the basic local access line charge at an amount equal to the subscriber line charge;
  - d. A monthly waiver of the federal subscriber line charge;
  - e. A waiver of the charges for touch-tone service;

4. **Income Eligible Residential Customers** shall be determined by their participation in federal and state low-income programs (e.g., Home Energy Assistance Program, Ohio Energy Credits Program, Supplemental Security Income, Medicaid, Aid for Families with Dependent Children). The Commission will periodically review the status of the programs used to determine income eligibility.

**B. Universal Service Fund (USF) Contributions**

1. All telecommunications carriers (i.e., facilities-based LECs, nonfacilities-based LECs, and CTS providers) shall pay into the intrastate Universal Service Fund (USF) pool via a USF charge, including those entities providing telecommunications services who pay into the interstate USF, but are exempted from registering with the Commission.
2. The USF support level will be based on each carrier's total intrastate revenues, including revenues received from subsidiaries (e.g., yellow pages revenues).
3. The USF percentage assessed to each carrier will be based on a statewide aggregation of required subsidies for all USF eligible services in the state. This percentage will be calculated and revised at least annually, as determined by the Commission and the fund administrator.
4. In determining the percentage to be assessed to each carrier, the Commission may also consider the extent to which a carrier is providing service in a nondiscriminatory manner within its service territory. In making such a determination, the Commission will consider the carrier's percentage of business vs. residential customers and the extent to which the carrier serves low income customers.
5. The fund administrator will calculate at least annually, not to exceed quarterly, each carrier's obligation to the fund and will invoice each carrier accordingly. Payments on behalf of carriers to the fund shall be made at least annually, but not to exceed quarterly, as deemed appropriate by the Commission and the fund administrator.

**C. High Cost Support Program**

1. ILECs will retain the carrier of last resort obligation until such time as the Commission determines the carrier of last resort via a bidding

- c. Access to telecommunications relay service;
- d. Access to operators and directory assistance;
- e. Access to emergency services (9-1-1/E-9-1-1) (where available);
- f. Availability of flat-rate service;
- g. Access to all available long distance carriers;
- h. A white pages listing, plus a directory;
- i. Blocking for Caller ID, Auto Callback, 900, 976, 976-like services, and toll restriction blocking; and,
- j. The ability to transmit data at a minimum baud rate of 9600.

The list of services that comprise universal service will be periodically reviewed by the Commission and updated as telecommunications and information technologies and services advance and as societal needs dictate.

- 2. Universal Service Funding (USF) assistance has two separate and distinct components:
  - a. **High Cost Support (HCS)** is intended to ensure the provision of universal service to residential customers at a reasonable price in geographic areas with high cost characteristics, (e.g., low population density, long loop lengths per household, or terrain features which cause plant installation to be expensive).
  - b. **Low Income Assistance** is intended to provide income-eligible residential customers who participate in designated federal or state low-income programs, with discounts for certain basic local services to assist participants in obtaining and maintaining access to the network.
- 3. **High Cost Support Eligible Area** is defined as a geographic area (i.e. an existing ILEC wire center or an alternative area approved by the Commission) within which the established HCS benchmark cost for the number of households in that area exceeds the ILEC's total intrastate residential revenues within that same geographic area.